

**Clinton Area Ambulance Service Authority
St. Johns, Michigan**

FINANCIAL STATEMENTS

March 31, 2008

Clinton Area Ambulance Service Authority

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INDEPENDENT AUDITOR'S REPORT

Members of the
Clinton Area Ambulance Service Authority
St. Johns, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Clinton Area Ambulance Service Authority as of and for the year ended March 31, 2008, which collectively comprise the Authority's financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Clinton Area Ambulance Service Authority as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 4, 2008

Clinton Area Ambulance Service Authority

Management's Discussion and Analysis

This section of the Clinton Area Ambulance Service Authority, (the "Authority") annual report presents our discussion and analysis of the Authority's financial performance during the year ended March 31, 2008. The intent of this analysis is to provide citizens, taxpayers, customers, and investors with a better understanding of how the Authority's money and other assets are managed. This discussion and analysis of financial performance also provides a comparison overview of the Authority's financial activities for the fiscal years ended March 31, 2008, and 2007. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2008:

- The assets of the Authority exceeded its liabilities at the close of the most recent year by \$470,040 (net assets).
- The Authority's total net assets decreased by \$96,779, as the result of current year activity.
- The Governmental Funds finished the 2008 year with a decrease to fund balance of \$61,026. The ending fund balance for the 2008 year for the Governmental Funds was \$361,926.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Clinton Area Ambulance Service Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Clinton Area Ambulance Service Authority in more detail than the government-wide financial statements by providing information about the Authority's most significant funds.

The Authority as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Assets		
Current assets	\$ 401,184	\$ 447,919
Noncurrent assets	<u>108,114</u>	<u>143,867</u>
Total assets	509,298	591,786
Liabilities		
Current liabilities	<u>39,258</u>	<u>24,967</u>
Net Assets		
Invested in capital assets	108,114	143,867
Unrestricted	<u>361,926</u>	<u>422,952</u>
Total net assets	<u>\$ 470,040</u>	<u>\$ 566,819</u>

The Authority's total net assets were \$470,040 at March 31, 2008. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$361,926 at the end of the year. Net Assets invested in capital assets was \$108,114.

Clinton Area Ambulance Service Authority

Management's Discussion and Analysis

The Authority as a Whole - continued

The following table shows the changes in net assets for the 2008 and 2007 fiscal years.

	<u>2008</u>	<u>2007</u>
Revenue		
Program Revenue:		
Charges for services	\$ 673,610	\$ 652,965
Operating grants and contributions	48,836	55,646
General revenue:		
Investment earnings	12,064	13,131
Miscellaneous	<u>3,525</u>	<u>21,719</u>
Total revenue	738,035	743,461
Program Expenses		
Health and Welfare	<u>834,814</u>	<u>769,546</u>
Change in Net Assets	<u>\$(96,779)</u>	<u>\$(26,085)</u>

Governmental Activities

The Authority's governmental revenues totaled \$738,035 with the greatest revenue sources being charges for services and intergovernmental contributions. Charges for services and intergovernmental contributions make up approximately 91 and 7 percent, respectively, of total governmental revenue.

The Authority incurred expenses of \$834,814 during the year. As a special purpose government, all of the governmental expenses incurred are associated with the health and welfare function.

The Authority's Funds

The analysis of the Authority's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the individual funds, not the Clinton Area Ambulance Service Authority as a whole. The Clinton Area Ambulance Service Authority's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Authority's major funds for the fiscal year ended March 31, 2008, were the Operating (Special Revenue) Fund and the Capital Projects Fund.

The Operating Fund pays for all of the Authority's governmental services except major capital outlay purchases, which are paid for out of the Capital Projects Fund. The sole service provided during the fiscal year was ambulance services, which incurred expenditures in the Operating (Special Revenue) Fund of \$767,094 for the fiscal year.

Capital Assets and Debt Administration

At the end of the fiscal year, the Authority had \$108,114 invested in emergency service vehicles and equipment (net of accumulated depreciation).

The Authority issued no new debt during the year and had no long-term debt outstanding at year-end.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers, and others with a general overview of the Authority's finances and demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clinton Area Ambulance Service Authority Director at 989-227-5713.

BASIC FINANCIAL STATEMENTS

Clinton Area Ambulance Service Authority

STATEMENT OF NET ASSETS

March 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Current	
Cash and cash equivalents	\$ 279,817
Accounts receivable, net of allowance for doubtful accounts	111,777
Prepays	<u>9,590</u>
Total current assets	401,184
Noncurrent	
Capital assets, net of accumulated depreciation	<u>108,114</u>
TOTAL ASSETS	509,298
LIABILITIES	
Current	
Accounts payable	14,978
Accrued wages	12,569
Other accrued liabilities	<u>11,711</u>
TOTAL LIABILITIES	<u>39,258</u>
NET ASSETS	
Invested in capital assets	108,114
Unrestricted	<u>361,926</u>
TOTAL NET ASSETS	<u><u>\$ 470,040</u></u>

See accompanying notes to financial statements.

Clinton Area Ambulance Service Authority

STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Health and welfare	<u>\$ 834,814</u>	<u>\$ 673,610</u>	<u>\$ 48,836</u>	\$ (112,368)
General revenues:				
Investment earnings				12,064
Miscellaneous				<u>3,525</u>
Total general revenues				<u>15,589</u>
CHANGE IN NET ASSETS				(96,779)
Net assets, beginning of year				<u>566,819</u>
Net assets, end of year				<u>\$ 470,040</u>

See accompanying notes to financial statements.

Clinton Area Ambulance Service Authority
GOVERNMENTAL FUND BALANCE SHEET

March 31, 2008

	Special Revenue Fund	Capital Projects Fund	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 279,817	\$ 279,817
Accounts receivable, net of allowance for uncollectible accounts	111,777	-	111,777
Due from other funds	-	3,873	3,873
Prepays	9,590	-	9,590
TOTAL ASSETS	<u><u>\$ 121,367</u></u>	<u><u>\$ 283,690</u></u>	<u><u>\$ 405,057</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 14,978	\$ -	\$ 14,978
Accrued wages	12,569	-	12,569
Other accrued liabilities	11,711	-	11,711
Due to other funds	3,873	-	3,873
TOTAL LIABILITIES	43,131	-0-	43,131
FUND BALANCES			
Reserved for prepaids	9,590	-	9,590
Unreserved - undesignated	68,646	283,690	352,336
TOTAL FUND BALANCES	78,236	283,690	361,926
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 121,367</u></u>	<u><u>\$ 283,690</u></u>	<u><u>\$ 405,057</u></u>

See accompanying notes to financial statements.

Clinton Area Ambulance Service Authority

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2008

Fund balances - governmental funds \$ 361,926

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 555,958	
Accumulated depreciation is	<u>(447,844)</u>	
		<u>108,114</u>
Net assets of governmental activities		<u><u>\$ 470,040</u></u>

See accompanying notes to financial statements.

Clinton Area Ambulance Service Authority

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended March 31, 2008

	Special Revenue	Capital Projects Fund	Total
REVENUES			
Intergovernmental			
Townships and Village	\$ -	\$ 48,836	\$ 48,836
Charges for services, net	673,610	-	673,610
Interest	238	11,826	12,064
Other	2,161	1,364	3,525
TOTAL REVENUES	676,009	62,026	738,035
EXPENDITURES			
Current			
Health and welfare	767,094	19,179	786,273
Capital outlay	-	12,788	12,788
TOTAL EXPENDITURES	767,094	31,967	799,061
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(91,085)	30,059	(61,026)
OTHER FINANCING SOURCES (USES)			
Transfers in	45,000	-	45,000
Transfers out	-	(45,000)	(45,000)
TOTAL OTHER FINANCING SOURCES (USES)	45,000	(45,000)	-0-
NET CHANGE IN FUND BALANCES	(46,085)	(14,941)	(61,026)
Fund balances, beginning of year	124,321	298,631	422,952
Fund balances, end of year	\$ 78,236	\$ 283,690	\$ 361,926

See accompanying notes to financial statements.

Clinton Area Ambulance Service Authority

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Net change in fund balance - governmental fund \$ (61,026)

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 10,967	
Depreciation expense	<u>(46,720)</u>	
Excess of depreciation expense over capital outlay		<u>(35,753)</u>
Change in net assets of governmental activities		<u><u>\$ (96,779)</u></u>

See accompanying notes to financial statements.

Clinton Area Ambulance Service Authority

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF AMBULANCE SERVICE AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Clinton Area Ambulance Service Authority was created on April 1, 2005, by a joint venture agreement between the following municipalities: City of St. Johns, Village of Fowler, Village of Maple Rapids, Township of Bengal, Township of Bingham, Township of Dallas, Township of Essex, Township of Greenbush, Township of Lebanon, and Township of Riley. Effective April 1, 2005 the Clinton Area Ambulance Services (a nonprofit entity) transferred all their existing assets, liabilities, and remaining equity to the newly formed Clinton Area Ambulance Service Authority. The Authority is considered a Municipal Emergency Service Authority as provided in the Emergency Services to Municipalities Act, 1988 PA57, and MCL 124.601. The remaining formation and operating guidelines, etc. are detailed in the Authority's Articles of Incorporation and Bylaws and are maintained in the Authority's administrative offices. The Board is comprised of eleven (11) members; two (2) members from the City of St. Johns and one (1) member from each of the remaining municipalities. The Director oversees the day-to-day operations of the Authority.

The Authority has no stockholders and all monies received are to be used for certain specified purposes in accordance with the joint venture agreement between the constituent municipalities.

The Authority is intended to operate as much as possible from funds and income derived from operations. However, each municipality is responsible for remitting an annual financial contribution pursuant to a formula based upon a per capita contribution based upon each incorporation municipality's population as determined by the most recent U.S. Department of Census figures.

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Clinton Area Ambulance Service Authority. The Clinton Area Ambulance Service Authority is considered a "joint venture" of the constituent municipalities.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Authority as a whole.

The statement of activities presents the direct functional expenses of the Authority and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Authority's major funds.

The major funds of the Authority are:

- a. The Operating (Special Revenue) Fund is used to account for all financial resources to be used for ambulance services provided to each participating municipality.
- b. The Capital Projects Fund is used to account for all building and capital improvements to be used for ambulance services provided to each participating municipality.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF AMBULANCE SERVICE AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The government-wide statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are charges for services and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

5. Cash and Cash Equivalents

Cash and cash equivalents are temporary investments that consist of various checking and savings accounts, and certificates of deposit with an original maturity of 90 days or less. The cash and cash equivalents are recorded at market value.

6. Accounts Receivable

Accounts receivable consists of amounts due from governmental assistance programs (i.e., Medicaid and Medicare), private insurances, and individual patients for ambulance services provided. The amounts reflected in the financial statements are net of an applicable allowance for doubtful collections, which is based on historical collection patterns.

7. Prepays

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in current assets. Reported prepaid expenditures are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of equity.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF AMBULANCE SERVICE AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Capital Assets

Capital assets include vehicles and equipment, furniture and fixtures, and buildings and improvements. Capital assets are stated at cost (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. There is no capitalization policy threshold. All material purchases of assets with an estimated useful life of greater than one (1) year are capitalized. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the double-declining and straight-line method over the following useful lives:

Furniture, fixtures, vehicles, and equipment	3 - 15 years
Building and improvements	15 - 31.5 years

9. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

10. Budgets and Budgetary Accounting

The Special Revenue (Operating) Fund budget shown in the financial statements was prepared on a basis not significantly different than the basis used to reflect actual results.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a fund level through passage of a Board resolution. After the budget is adopted, amendments resulting in a net change of not more than five percent of the total budget are permitted once per fiscal quarter without Board approval. The budget may also be amended without limitation upon approval by the Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Board does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Board during the year. Individual amendments were appropriately approved by the Board as required.

11. Interfund Transactions

During the course of normal operations, the Authority has numerous transactions between funds, including expenditures and transfers of resources. The accompanying financial statements generally reflect such transactions as operating transfers.

Clinton Area Ambulance Service Authority

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Compiled Laws, the Clinton Area Ambulance Service Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of March 31, 2008, the carrying amount and bank balances are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Deposits	\$ <u>277,272</u>	\$ <u>287,417</u>

Deposits of the Clinton Area Ambulance Service Authority are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Clinton Area Ambulance Service Authority. As of March 31, 2008, the Authority's accounts were insured by the FDIC for \$108,112 and the amount of \$179,305 was uninsured and uncollateralized. The Authority had \$2,545 of cash on hand.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The Authority has not adopted a policy that indicates how the Authority will minimize credit risk if/when the Authority has investments that are subject to this type of risk.

Clinton Area Ambulance Service Authority

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Interest rate risk

The Authority has not adopted a policy that indicates how the Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time if/when the Authority has investments that are subject to this type of risk.

Concentration of credit risk

The Authority has not adopted a policy that indicates how the Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized if/when the Authority has investments that are subject to this type of risk.

Custodial credit risk

The Authority has not adopted a policy that indicates how the Authority will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments of collateral securities that are in possession of an outside party if/when the Authority has investments that are subject to this type of risk.

NOTE C: ACCOUNTS RECEIVABLE

The following is an analysis of accounts receivable as of March 31, 2008:

Accounts receivable, gross	\$ 160,543
Less: allowance for doubtful accounts	(48,766)
Accounts receivable, net	<u>\$ 111,777</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at March 31, 2008:

Due to Capital Projects Fund from:	
Special Revenue Fund	<u>\$ 3,873</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE E: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, have been eliminated.

Transfers to Special Revenue Fund from:	
Capital Projects Fund	<u>\$ 45,000</u>

Clinton Area Ambulance Service Authority

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE F: RISK MANAGEMENT

The Authority participates in a pool, the Michigan Municipal League Liability and Property Pool, with other municipalities for auto, property, crime, and liability losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Authority has not been informed of any special assessments being required.

The Authority also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Authority has not been informed of any special assessments being required.

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008, was as follows:

	Balance <u>April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2008</u>
Governmental activities				
Capital assets being depreciated				
Buildings	\$ 42,330	\$ 5,359	\$ -	\$ 47,689
Lease and improvements	20,441	-	-	20,441
Vehicles and equipment	438,556	5,608	-	444,164
Furniture and fixtures	<u>43,664</u>	<u>-</u>	<u>-</u>	<u>43,664</u>
Total capital assets being depreciated	544,991	10,967	-0-	555,958
Less accumulated depreciation for:				
Buildings	(40,005)	(1,023)	-	(41,028)
Lease and improvements	(8,774)	(1,251)	-	(10,025)
Vehicles and equipment	(319,577)	(40,104)	-	(359,681)
Furniture and fixtures	<u>(32,768)</u>	<u>(4,342)</u>	<u>-</u>	<u>(37,110)</u>
Total accumulated depreciation	<u>(401,124)</u>	<u>(46,720)</u>	<u>-0-</u>	<u>(447,844)</u>
Capital assets, net	<u>\$ 143,867</u>	<u>\$ (35,753)</u>	<u>\$ -0-</u>	<u>\$ 108,114</u>

Depreciation expense was wholly allocated to the lone governmental function (health and welfare) in the amount of current depreciation expense of \$46,720.

NOTE H: OTHER MATTERS

Effective April 1, 2007, the Authority adopted a new policy offering medical or retirement benefits to full-time employees based on criteria and stipulations as detailed in the Benefits Policy. As of March 31, 2008, the policy had not yet been enacted.

On April 19, 2007, the Authority received official notice of withdrawal from the Authority from Riley Township. The notice was effective March 27, 2007, and that date began the required twelve month notice requirement period per the Authority's formation documents. As of April 1, 2008, Riley Township has officially withdrawn from the Authority.

Clinton Area Ambulance Service Authority

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE H: OTHER MATTERS - CONTINUED

On March 29, 2008, the Authority received official notice of withdrawal from the Authority from the City of St. Johns. The notice was effective March 31, 2008, and that date begins the required twelve month notice requirement period per the Authority's formation documents.

What financial impact these issues will have on the Authority and its operations is unknown at March 31, 2008.

NOTE I: FUND EQUITY RESERVE

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following is the fund balance reserve as of March 31, 2008:

Governmental Funds	
Special Revenue Fund	
Reserved for prepaids	\$ <u>9,590</u>

NOTE J: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the required supplementary information to the financial statements, the Authority's budgeted expenditures in the Special Revenue Fund have been shown at the functional classification level. The approved budgets of the Authority have been adopted at the total expenditure level for the Special Revenue Fund.

During the year ended March 31, 2008, the Authority incurred expenditures in the Special Revenue Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Special Revenue Fund	\$ 760,085	\$ 767,094	\$ 7,009

REQUIRED SUPPLEMENTARY INFORMATION

Clinton Area Ambulance Service Authority

Special Revenue Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services, net	\$ 694,353	\$ 694,353	\$ 673,610	\$ (20,743)
Interest	-	-	238	238
Other	20,732	20,732	2,161	(18,571)
TOTAL REVENUES	715,085	715,085	676,009	(39,076)
EXPENDITURES				
Current				
Salaries and wages	488,685	488,685	505,132	(16,447)
Payroll taxes and other fringe benefits	41,045	41,045	59,225	(18,180)
Utilities	3,810	3,810	4,029	(219)
Communications	6,070	6,070	5,804	266
Licenses	500	500	1,168	(668)
Billing service fees	56,000	56,000	63,321	(7,321)
Contractual services	23,525	23,525	24,454	(929)
Insurance	63,300	63,300	26,930	36,370
Advertising	4,500	4,500	5,271	(771)
Supplies	43,200	43,200	40,959	2,241
Repairs and maintenance	10,650	10,650	16,737	(6,087)
Training	3,000	3,000	1,612	1,388
Miscellaneous	7,000	7,000	5,425	1,575
Collection fees	1,500	1,500	356	1,144
Laundry	1,800	1,800	1,521	279
Rent	5,500	5,500	5,150	350
TOTAL EXPENDITURES	760,085	760,085	767,094	(7,009)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(45,000)	(45,000)	(91,085)	(46,085)
OTHER FINANCING SOURCES				
Transfers from other funds	45,000	45,000	45,000	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	(46,085)	(46,085)
Fund balance, beginning of year	124,321	124,321	124,321	-0-
Fund balance, end of year	<u>\$ 124,321</u>	<u>\$ 124,321</u>	<u>\$ 78,236</u>	<u>\$ (46,085)</u>

Principals

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Steven R. Kirinovic, CPA
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF THE FINANCIAL STATEMENTS

Members of the Clinton Area
Ambulance Service Authority
St. Johns, Michigan

We have audited the financial statements of the governmental activities and each major fund of Clinton Area Ambulance Service Authority, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clinton Area Ambulance Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We identified the following control deficiencies that we consider be significant deficiencies in internal control over financial reporting:

PREPARATION OF FINANCIAL STATEMENTS

Effective for all audits of fiscal years ended December 31, 2006 and thereafter, Statement on Auditing Standards No. 112 titled *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America. Throughout the year the Authority prepares monthly financial reporting at the fund level. The annual audited financial statements for the year ended March 31, 2008 for the Authority required few audit adjustments.

PREPARATION OF FINANCIAL STATEMENTS - CONTINUED

The staff at the Authority understands substantially all of the information included in the financial statements, and as such are able to take responsibility for the content. However, the presentation of financial statements in accordance with generally accepted accounting principles also includes the preparation of government-wide financial statements and note disclosures. Currently the government-wide financial statements and note disclosures are prepared during the audit process. This issue was noted and reported in our audit comments last year.

We are communicating these circumstances as required by professional standards, and do not see a need for any change in the situation at this time.

FRAUD RISK MANAGEMENT PROGRAM

During the course of our audit, we noted that the Authority has not developed or implemented a fraud risk management program. Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team should be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Due to the Authority not developing a fraud risk assessment and monitoring program it is unable to assess the Authority's vulnerabilities to fraudulent activity and whether any of those exposures could result in material misstatement of the financial statements. This issue was noted and reported in our audit comments last year.

We recommend that the Authority develop and formally implement a fraud risk management program that is appropriate to the size and complexity of the organization. Such a fraud risk management program may involve actively searching for fraudulent transactions through the use of techniques such as data mining, but should also include informing management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the organization, and instructions for reporting fraud within the chain of command.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We believe that the following deficiencies constitute material weaknesses:

SEGREGATION OF DUTIES

During our consideration and assessment of fraud risk, we noted that the Authority may not have sufficient segregation of duties in its accounting structure. Specifically, we noted that the same individual who is responsible for preparing bank reconciliations makes bank deposits and maintains the computerized general ledger, including the preparation and recording of journal entries. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, etc.). This issue was noted and reported in our audit comments last year.

While a lack of appropriate segregation of duties is a common occurrence in small organizations due to the limited number of employees, the Authority should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We recommend that the Authority review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Board provide a greater review and supervision of accounting functions and procedures. We also recommend that in the future when the Authority is adopting new or modifying existing financial policies that they consider the issue of fraud and assure that the policy discusses ways that will prevent, deter, and detect fraud within the area the policy is addressing.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

During the course of our audit, and through discussions with management, we noted that the Board has not adopted a formal written policy regarding the process of establishing an allowance for uncollectible accounts and write-off of bad debts. Such policy should address the criteria for calculating the allowance for uncollectible accounts and determining actual amounts to be written off as well as the approval process for such adjustments. We also noted that the allowance for uncollectible accounts had not been evaluated and modified during the year to reflect current activity. This issue was noted and reported in our audit comments last year.

We recommend the Board review the areas related to write-off's and allowance for uncollectible accounts and adopt a formal policy to document the related procedures. We further recommend that the allowance for uncollectible accounts be reviewed and adjusted on a regular basis as necessary through Board approval. Such approval should be documented in the minutes of the meetings.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance and other matters:

WRITTEN PROCEDURES AND POLICIES

Based on our discussion with management, we noted that the Authority has not formally adopted written procedures and policies for several areas of operation. This issue was noted and reported in our audit comments last year. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater visibility over those areas for which they are responsible. Specifically, we recommend that the Authority develop, formally adopt, and implement written procedures and policies in the following areas:

- a. Capitalization policy - During the course of our audit, it was noted the Authority did not have a formal written capitalization threshold policy in place at year-end. This policy would set forth, among other things, a dollar threshold for items purchased by the Authority, which would be considered material, long-lived assets that should be capitalized and depreciated.
- b. Accounting procedures manual - We recommend the Authority adopt specific written accounting policies and documented procedures. Accounting policies and procedures should document procedures for purchasing, procurement, accounts payable disbursements, billing, receipts, and payroll, when applicable.
- c. Investment policy - We recommend the Board adopt a formal investment policy that complies with Public Act 20 of 1943 and addresses GASB 40 issues. Such formal adoption should be documented in the minutes to the Board meeting. The policy should address the issues of authorized investments, custodial credit risk, concentration of credit risk, and interest rate risk.
- d. Disaster recovery plan - We recommend the Authority adopt a disaster recovery plan. The plan should identify areas of operation that are critical to the Authority and detail how the Authority would continue to operate in the absence of those critical areas of operation.
- e. Code of Conduct - We recommend the Authority put in place a code of conduct including a policy on conflicts of interest. The code should include a requirement that key employees and Board members periodically make a declaration of compliance with the code, particularly with respect to conflicts of interest.

BUDGETS

As noted in the required supplementary information to the financial statements, the Authority's Special Revenue Fund exceeded the amounts appropriated.

Michigan Public Act 621 of 1978, as amended, provides that the Authority adopt formal budgets for all applicable funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures. The Act also prohibits the Authority from appropriating more funds for expenditure than is available through current revenue sources and any accrued surplus or deficit from previous years.

We recommend the Authority monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

This report is intended solely for the information and use of management, the members of the Board of Clinton Area Ambulance Service Authority, and others within the Authority, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Abraham & Gaffney, P.C." in a cursive, stylized font.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 4, 2008